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**United States to Take Trade Action
If Canada Enacts Magazine Legislation**

United States Trade Representative Charlene Barshefsky announced today that if the Government of Canada enacts legislation re-creating the exclusionary and anticompetitive policies governing trade in magazines that have been condemned by the World Trade Organization (WTO), the United States will respond by denying trade benefits to Canada.

“Substituting one form of protectionism for another ignores both the letter and the spirit of WTO rules,” Ambassador Barshefsky said. “We expect the Canadian Government to refrain from enacting this protectionist legislation.”

Today the Government of Canada met the deadline under WTO rules for removing four measures governing trade in magazines that the WTO found last year to be inconsistent with Canada’s international trade obligations. However, earlier this month it introduced legislation that would accomplish the same result as the measures it removed. Furthermore, the Government of Canada proposes to continue, in a slightly modified form, its postal subsidy for Canadian-produced magazines. In response, Ambassador Barshefsky said “It is simply untenable for Canada to re-create another protectionist magazines regime that perpetuates Canada’s longstanding anti-competitive policies, channeling magazine advertising revenues to Canadian-owned publishing companies.”

“If Bill C-55 is enacted, we are fully prepared to respond to the denial of U.S. trade benefits by withdrawing benefits of equivalent commercial effect,” Ambassador Barshefsky said. “We hope, of course, that this will not come to pass. Throughout this lengthy dispute we have sought a mutually satisfactory resolution of our differences with Canada,” she added.

Background

In 1997, the United States successfully challenged Canada’s protectionist magazine regime in the World Trade Organization. A WTO panel found three components of Canada’s magazine policies to be illegal under the *General Agreement on Tariffs and Trade* (GATT), a key trade agreement

administered by the WTO. The panel condemned (1) a ban, in place since 1965, on imports of magazines with advertising directed at Canadians; (2) a 1995 special excise tax on so-called split-run magazines; and (3) discriminatory postal rates for imported magazines. After Canada appealed the panel's report, the WTO's Appellate Body found a fourth violation -- Canada's discriminatory postal subsidy program for Canadian-produced magazines.

Effective October 30 Canada repealed its longstanding ban on split-run imports, discontinued the 1995 special excise tax on split-runs, eliminated the discrimination in its postal rates, and modified its postal subsidy program for magazines. However, earlier this month Canada introduced Bill C-55, which simply accomplishes the same result as the import ban and excise tax -- keeping U.S.-and other foreign-produced split run magazines from competing in the Canadian market.

Bill C-55 would prohibit U.S. and other non-Canadian publishing companies, on pain of criminal fines, from using the magazines they produce to advertise directly to Canadian readers. Among the four measures the WTO condemned was a confiscatory 80% tax imposed by the Canadian Government on imported magazines carrying this type of advertising. The tax put U.S. and other imported magazines at a significant commercial disadvantage by comparison to Canadian-produced magazines. Having finally agreed to eliminate the tax on these advertisements, the Canadian Government is now proposing to ban these advertisements altogether.

Canada also proposes to continue, in a slightly modified form, its postal subsidy for Canadian-produced magazines. The United States will monitor closely the effects of that modification.